

February 28, 2003

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**Re: Federal-State Joint Board on Universal Service CC Docket 96-45
CC Dockets 98-171, 90-571, 92-237, 99-200, 95-116, 98-170**

Dear Ms. Dortch:

The Community Action Partnership (CAP) with the endorsement of the Latino Issues Forum (LIF) writes you to comment on a proposal under consideration by the Federal Communications Commission (FCC) that focuses on how universal services are funded. Under the current system, telecommunications firms are required to use a percentage of their interstate revenue to support the Universal Service Fund (USF). Under the proposed system, contributions would be based on a flat monthly connection fee. Undoubtedly, recent downward trends in the telecommunications industry necessitate alterations in USF contributions, however, this proposed system may have unintended consequences on low-income consumers.

Based in Washington, DC, CAP is the national association representing the interests of the 1,000 Community Action Agencies (CAAs) organized to change people's lives, embody the spirit of hope, improve communities, and make America a better place to live. CAP serves as a national forum for policy on poverty and to strengthen, promote, represent and serve its network of member agencies to assure that the issues of the poor are effectively heard and addressed. CAP works to advance the economic condition, educational attainment, political influence, health and civil rights of low-income Americans. CAP works hard to ensure that low-income Americans are not left behind. The LIF is a non-profit public policy and advocacy institute dedicated to advancing new and innovative public policy solutions for a better, more equitable and prosperous society. Established in 1987, LIF's primary focus is on the broader issues of access to higher education, economic development, health care, citizenship, regional development, telecommunications issues and regulatory issues. LIF addresses public policy issues from the perspective of how they will affect the social and economic future of the Latino community.

Considering that each of our member CAAs' clientele are eligible for the Lifeline and Link-up programs, CAP is one of the strongest proponents of the USF. Many of our members' patrons directly benefit from participating in these programs. Hence we are wary about changes in the USF funding structure that may negatively affect the low-income population who we ultimately serve. A key component of universal service is ensuring that low-income consumers have access to telecommunications and information services.¹ In referring to access, CAP pays particular attention to telecommunications companies who provide prepaid wireless services to low income consumers. We focus on prepaid wireless providers because they have opted to provide access to

¹ 47 U.S.C. Paragraph 254(b)(3).

prepaid wireless service to low-income consumers who normally would not be able to afford wireless services. In many instances, low-income consumers require prepaid service because they:

- are not credit worthy;
- cannot afford recurring monthly costs;
- cannot afford security deposit demands.

These consumers benefit from prepaid wireless service that offer an off-the-shelf, pay-as-you-go, prepaid wireless service. While unable to benefit from traditional services, low-income consumers can benefit from prepaid wireless services because there are no contracts, no credit checks, no monthly fees, no activation fees, no security deposits and no age limits.

CAP's key issue with a connection-based proposal under consideration by the FCC is that under the issued *Further Notice*, the FCC assumes that many low-income users would not be assessed USF contributions because Lifeline customers would not be charged.² Unfortunately, this would not apply to prepaid wireless service providers and their customers. Low-income consumers who use prepaid wireless services are not eligible to receive Lifeline support for their purchase of prepaid services. Hence, low-income consumers who use prepaid services would be required to pay a flat connection fee *and* remain ineligible to receive lifeline support. This proposal is would not be acceptable.

CAP asks the FCC to more carefully review proposed changes to the universal service funding. Furthermore, CAP requests the FCC to discard the proposal for a connection-based funding system.

Sincerely,

//s//

Derrick Span,
National President
Community Action Partnership

//s//

Luis Arteaga
Interim Executive Director
Latino Issues Forum

² *Further Notice*, at para. 49.